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SIPDIS

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TAGS: [EMIN](#) [ECON](#) [EAID](#) [PGOV](#) [PREL](#)

SUBJECT: CONTINUED CONFUSION ON DIAMOND SECTOR MANAGEMENT

Classified By: Econoff Peter Newman for reasons 1.4 b/d

1. (C) Summary: Competition between the Minister of Mines Eugene Diomi Ndongala and CEEC (diamond evaluating authority) Managing Director Victor Kasongo continues to increase. The European Commission (EC) recently decided not to fund a diamond sector audit presented by Diomi and the IMF. The two major industrial diamond producers and the CEEC were included in the terms of reference. The Minister is also complicating the GDRC delegation to the Kimberley Process Plenary in Ottawa by attending himself with two advisors, separately from the original delegation led by Kasongo and three of his advisors. Coordination is non-existent between the two bodies and will frustrate reforms. End summary.

2. (C) In concert with the IMF, Minister of Mines Diomi Ndongala approached the EC with terms of reference for a diamond sector audit to be conducted outside of the context of both the Kimberley Process and normal audits of parastatals. The terms of reference specifically targeted Sengamines (a privately-owned industrial level diamond producer), Miba (the diamond parastatal), and the CEEC (the diamond evaluating authority and a parastatal), all of which are significant revenue earning companies. (Comment: The Ministry of Mines has no jurisdiction to hold a financial audit of these firms and only has technical oversight of mining parastatals. Administrative and financial oversight rest with the Ministry of Portfolio. Diomi was, yet again, attempting to overstep the bounds of his authority, this time with the support of the IMF. End comment.)

3. (SBU) EC representative Vincent Ringenberg reported to Econoff that the EC has decided not to fund the audit. Although the EC is interested in providing aid targeted toward the natural resources sector, it feels an ad hoc audit of three companies in the diamond sector is too specific (and politically sensitive) to have as a starting point. Before accepting projects in this sector, the EC would want to commission an expert study to identify what kind of value-added EC funded projects could have for the development of the DRC. The EC representative office has not yet informed the Ministry of Mines or the IMF.

4. (C) The Kimberley Process considers the CEEC to be the main Congolese interlocutor for diamond evaluation and certification in the DRC. The CEEC is sending a delegation of four CEEC officials to Kimberley Process Plenary in Ottawa. When the Minister Diomi discovered that there was a plenary meeting and that the CEEC was already prepared to send a delegation and make a presentation, he immediately informed the Kimberley Process that he would attend himself with two accompanying advisors, effectively creating a parallel delegation. Canadian pol/econ counselor Stephen Randall commented that Kimberley Process Chair Tim Martin has allowed Victor Kasongo to remove the DRC from the list of presenters. Martin prefers not to officially deal with either group until Diomi and Kasongo sort out their differences. (Comment: The current Kimberley Process Plenary delegation snafu is unfortunate as it puts a very unprofessional face on the DRC shortly after the clear positive of voluntarily inviting the Kimberley Process to review DRC operations. End comment.)

5. (C) Comment: Post feels the EC and the Kimberley Process are correct in avoiding official entanglements with the Ministry of Mines as any involvement is likely to be politicized by the Minister. If institutional battles between the Minister of Mines, the CEEC and other mining sector agencies continues, reforms as recommended by the World Bank and the recent Kimberley Process Review Visit will only come to fruition very difficultly and contentiously. IMF involvement is curious and is most likely tied to its objective of increasing government receipts. The IMF, however, has been shanghaied this time into supporting Diomi's personal agenda. End comment.

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